GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

Tirupati Municipal Corporation – Special Purpose Vehicle (SPV) in the name and style of **"Tirupati Smart City Corporation Limited"** incorporated - Development of Tirupati Smart City through Swiss Challenge Approach as per APIDE Act, 2001 - Orders-Issued

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MUNICIPAL ADMINISTRATION & URBAN DEVELOPMENT (UBS) DEPARTMENT

G.O.MS.No. 426 **Dated: 07-12-2017**
Read:

G.O.Ms.No.258 Municipal Administration & Urban Development (UBS) Department dated 21.10.2016.

O r d e r:

Tirupati, named as "The Best Heritage City" and home to one of the world's most visited pilgrim sites, has been selected by the Government of India to be developed as Smart City under the smart cities mission under round 2. Accordingly, in the reference read above , Government have issued orders constituting a Special Purpose Vehicle in the name and the style of **"Tirupati Smart City Corporation Limited"** with an object to drive economic growth and improve the quality of life of people by enabling local area development and harnessing technology and the same has been incorporated under the **Companies Act, 2013.**

2. Government considered that there is a need for implementation of integrated City infrastructure projects within the ULB jurisdiction, which is possible through selection of a consortium capable of rendering the full range of the services for comprehensive development. The consortium should be led by a strong entity undertaking the responsibility to deliver the integrated package of infrastructure and services with clear roles and proposed equity stake of stakeholders/ consortium members. One of the approaches for selection of a consortium for development of Smart Cities could be the Swiss Challenge approach as per the provisions of the Andhra Pradesh Infrastructure Development Enabling (Amendment) Act, 2001 read with Amendments vide **Andhra Pradesh Ordinance No.5 of 2016 (the "APIDE Act")** for selection of private sector Developer for development of the identified Smart Cities in Andhra Pradesh. The APIDE Act, applies to all infrastructure projects under notified sectors implemented through public private partnerships. Smart Cities projects are notified in "Schedule-III: Sectors" of the APIDE Act. A key feature of the Smart City proposal shall be a detailed Financing Plan for the complete life-cycle of the programme/scheme/projects. The Financing Plan shall identify internal (taxes, rents, licenses and user charges) and external (grants, assigned revenues, loans and borrowings) sources of mobilizing funds for capital investments and operation and maintenance over the lifecycle of the project. The financing plan will provide for sources for repayment of project cost over a period of 10-15 years, O & M cost and also include resource improvement action plan for financial sustainability of the Local Authority**. The Financing Plan shall specially focus on convergence of various Central and State Government grants and leveraging the same with non-**

governmental and open market financing sources, Hybrid Annuity based on feasibility considerations.

3. Tirupati is home to the famous Tirupati Balaji temple and visited by 40 to 50 million pilgrims every year. There are several under-utilized pilgrim attractions that provide an economic opportunity. Tirupati Smart City aims towards developing into a model pilgrim city, promote innovation, inclusivity and sustainable urban development. To make this vision a reality, the city should attract pilgrims and encourage them to stay longer. This can be achieved by providing a comfortable experience, developing theme based pilgrim / tourist circuit and a range of cultural activities including Art, while improving access to clean water, air quality, life expectancy, walk ability and clean mass public transport, medicine free life and reduction in healthcare spending. The improved infrastructure access and related interventions will have an impact on city's overall economic growth as well as financial sustainability. The development of Tirupati as a Smart City builds on

- **Integrated approach** - for proper planning and long term cost-effective solutions,
- **Sustainability** – city needs to be socially, environmentally and financially sustainable
- **Inclusive** – infrastructure is to be planned to service all economic classes and required subsidy mechanisms as part of the initial plan.

4. M/s. Essel Infra Project Limited have given Expression of Interest (EOI), for Development of Tirupati Smart City under APIDEA, 2001 as **per amended 23rd October, 2016 Act** through Swiss Challenge Mode and the Agency has been requested to submit a detailed project proposal for Tirupati Smart City Development subject to condition that the said request will not confer any right or obligation on the Government for awarding the project to the Agency. M/s Essel Infra Project Limited have accordingly submitted a comprehensive Smart City Proposal detailing the project components to be implemented in the city. The Agency has proposed 20 project components **(Pan City)** comprising over 50 sub-project elements. These various project components are convened together where there is integration benefit in planning, operations and / or citizen service. These proposed projects / activities are grouped under nine (9) categories, which are expected to bring major impact for tangible and intangible value creation for the city, citizens and pilgrims. These proposed interventions are expected to generate indirect economic contribution of INR 23,000 to 35,000 crores of GVA during construction phase and about INR 2,000 to 2,500 crores per annum during operational phase. In terms of job creation, the proposed plan is expected to generate about 20,000 to 24,000 jobs directly through the investment made in the city, while another 50,000 to 60,000 jobs would be created through the multiplier effect in the ancillary / service industry. The Estimated capital expenditure requirement for delivering the proposed Smart City development Plan is approximately INR 13,000 Cr to 15,000 Cr. A detailed project cost can be determined once the Detailed Project Report (DPR) is prepared. The Financing plan in the DPR will provide for sources for repayment of project cost over a period of 10-15 years, O&M cost and also include resource improvement action plan for financial sustainability of the Local Authority. Various financial resources can be availed to meet overall investment, requirement while minimizing the

commercial financing. Value capture financing such as land value monetization can also be explored. The current city revenues can only meet its operating expense with less income at disposal for investment on infrastructure. Therefore the project can be implemented only if the revenues of the city are enhanced by adopting the following approach:

- The city / smart city SPV should enhance / augment its revenue sources to attain operational self-sufficiency from financing aspects:
    - Enhancing efficiency of existing revenue sources – Plugging leakages in existing tax revenues
    - Exploring new sources
    - Capturing Land value appreciation
    - Revenue from transportation including Tram
    - Electricity distribution on PPP, etc.
    - State government (along with central government and TTD, and other sources) helps in funding the transition
    - State Government provide only predictable grant support in future for specific identified projects

5. Government also consider that the implementation should be undertaken through public-private partnership (PPP) on Hybrid Annuity Model (HAM) that will enable influx of private capital for the infrastructure development and help in diversifying financing sources. The Smart City concessionaire shall be selected through the Swiss Challenge Process.

6. Government order that the approaches for selection of a consortium for development of Smart Cities shall be the Swiss Challenge approach as per the provisions of the Andhra Pradesh Infrastructure Development Enabling (Amendment) Act, 2001 read with Amendments vide Andhra Pradesh Ordinance No.5 of 2016 (the "APIDE Act") for selection of private sector Developer for development of the identified Smart Cities in Andhra Pradesh.

7. Accordingly, Government hereby accord permission to the Tirupati Municipal Corporation to adopt the above Swiss Challenge Approach for selection of Developer for Tirupati Smart City and also authorize to undertake the process as per the provisions given in APIDE Act,2001 to consider the proposal / expression of interest submitted by M/s Essel Infra as unsolicited/ suo-motu proposal which shall include hybrid Annuity model for finances based on feasibility considerations and the original project proponent shall submit the detailed project proposals within (3) three months.

8. The Andhra Pradesh Urban Infrastructure Asset Management Limited shall be the Transaction Advisor and Project Management Agency for entire project period.

9. The above orders shall be strictly in accordance with the norms enshrined in Andhra Pradesh Infrastructure Development Enabling (Amendment) Act, 2001 read with **Amendments vide Andhra Pradesh Ordinance No.5 of 2016** (the "APIDE Act") and the proposals shall be routed through Urban Infrastructure Promotion Committee (UIPC) and Urban Infrastructure Promotion Board (UIPB) as constituted vide G.O.Ms.No.246, MA&UD (UBS) Department, dated.13.10.2016 and G.O.Ms.No.299, MA&UD (UBS) Department, dated.21.11.2016 respectively for proper scrutiny, appraisal and approval.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

R.KARIKAL VALAVEN
PRINCIPAL SECRETARY TO GOVERNMENT

To
The Special Officer, Tirupati Municipal Corporation, Tirupati
The Collector and District Magistrate, Chittoor
The Director, Municipal Administration, Gorantla, Guntur.
The Managing Director, APUFIDC, Gorantla, Guntur
The Engineer-in-Chief, Public Health, Guntur.
The Chief Executive Officer, APUIAML., Vijayawada.
Copy to:
The General Administration (Cabinet) Department.
Sf/Sc

//FORWARDED BY ORDER//

DEPUTY DIRECTOR